



Resource Generation Limited

ACN 059 950 337

Quarterly Report for the three months ended 30 June 2012

Resource Generation is developing the Boikarabelo coal mine in the Waterberg region of South Africa where there are probable reserves of 744.8 million tonnes of coal on 35% of the tenements under its control. Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.

PRESENT STATUS

- Banks are now undertaking detailed due diligence before offering terms for project finance to develop the company's massive open-cut coal mine.
- This follows Resource Generation signing a haulage contract with Transnet in June 2012 – overcoming its last hurdle before raising finance.
- The project's sovereign risk has been minimised as a result of overcoming all major regulatory hurdles faced by the company.
- Assuming agreement on project finance is reached, it will underwrite confidence in the asset's potential cash flow, which should increase the company's enterprise value and will determine the price at which equity is raised for the balance of the Stage 1 development cost and working capital.
- If funding is completed by the end of 2012, construction of the mine and its infrastructure is expected to take 24 months, with Stage 1 saleable production (6 million tonnes per annum) beginning at the start of 2015.
- Construction of Stage 2, planned to increase saleable production to more than 20 million tonnes per annum, is expected to be funded from cash flow and a further equity capital raising is not envisaged.
- The Waterberg region accounts for 40% of South Africa's remaining coal resources and Boikarabelo has probable reserves of 744.8 million tonnes* on 35% of its tenements – which will make it a world-class mine by any measure.
- A contract to buy 139 million tonnes of coal over 38 years has already been signed with India's RPG Group, which owns 11.6% of Resource Generation after buying shares at \$0.575 in September 2010 and \$0.82 in June 2011.
- A second contract has been signed with India's Bhushan Steel to buy 500,000 tonnes per annum for five years and a minimum of 500,000 tonnes per annum for a further 15 years.
- Negotiations have proceeded further with Eskom, South Africa's power generation company, to supply 3 million tonnes of thermal coal per annum to its Mpumalanga power stations.

PROGRESS DURING THE QUARTER

Transnet Freight Rail contract signed

During the quarter, the company's BEE subsidiary, Ledjadja Coal, signed a ten-year take-or-pay rail haulage contract with Transnet Freight Rail (**TFR**) to haul up to 6 million tonnes of coal per annum.

The main terms of the contract are as follows:

- The initial term is for 10 years with provision to extend for a further 10 years.
- The contract allows for 4 million tonnes in the first year, 5 million tonnes in the second year and 6 million tonnes per annum thereafter. Should Eskom elect to contract directly with TFR (which is Eskom's intention) for the proposed domestic purchases (currently under negotiation), the take-or-pay quantities in the contract will reduce to export tonnage only.
- The contract specifies an indicative tariff for the current year. The actual tariff will be determined annually by negotiation.
- The contract is conditional on Ledjadja Coal completing construction of the 36 kilometre rail link to the existing rail network.
- The contract is also conditional on TFR completing its processes to determine a fair, proportional and equitable allocation of rail capacity to all interested parties from the Waterberg. If these are not completed by 31 December 2012, this condition is automatically waived and the above tonnage allocation becomes firm.

Water Use Licence received

An Integrated Water Use Licence governing all aspects of water use at the mine was received during the quarter from the Department of Water Affairs. This enables the mine to conduct all activities for stage 1 of planned production and to utilise its borefield.

Mining Right appeal dismissed

As previously advised, an appeal was lodged with the South African Department of Mineral Resources (**DMR**) against Ledjadja Coal's 30 year mining right. During the quarter, the DMR wrote to Ledjadja Coal advising that the appeal against the mining right had been dismissed and finalised.

Eskom update

Negotiations have proceeded further with Eskom on the contractual terms for the initial supply of 3 million tonnes of thermal coal per annum.

Coal handling and preparation plant update

Detailed review and analysis of the two front-end engineering designs, which have been completed by major providers of coal handling and preparation plants, continued during the quarter. The reviews are nearing completion and the outcomes will enable the company to determine the optimal solution from both a functional and cost perspective.

Power supply

Two comprehensive tenders were received for the design and construction of a 3x15MW power station at the Boikarabelo mine site. The reviews of the tenders are nearing completion, after which the company will be in a position to determine the best alternative from both a functional and cost perspective.



Mine management team

The two key executives responsible for the development and operations of the Boikarabelo mine both commenced in their roles during the quarter, being the General Manager Boikarabelo Mine and General Manager Human Resources.

Continued strong interest from financiers for debt funding

All of the potential debt funders have confirmed that they are commencing their detailed due diligence to provide project finance for the development of the Boikarabelo mine.

CAMEROON

There was no activity during the quarter on Resource Generation's uranium tenements in Cameroon.

CORPORATE

Cash reserves at 30 June 2012 were \$12.1 million. This is expected to be sufficient to cover cash requirements prior to the anticipated commencement of mine construction. The main focus for the next quarter will be the negotiations for the project finance for the development of the Boikarabelo mine.



CORPORATE INFORMATION

Directors

Brian Warner	Non-Executive Chairman
Paul Jury	Managing Director
Steve Matthews	Executive Director
Geoffrey (Toby) Rose	Non-Executive Director

Company Secretary

Steve Matthews

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Contacts

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Steve Matthews

Media

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** Information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Dawie Van Wyk who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. Mr Van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Van Wyk has given and has not withdrawn consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Resource Generation Limited

ABN

91 059 950 337

Quarter ended ("current quarter")

30 June 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 mths) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(41)	(474)
	(b) development	(2,538)	(6,978)
	(c) production	-	-
	(d) administration	(172)	(2,205)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	205	1,029
1.5	Interest and other costs of finance paid	(2)	(10)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(2,548)	(8,638)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(4,230)	(4,437)
1.12	Proceeds from sale of: (a) prospects	-	-
	(b) equity investment (subsidiary)	-	1,500
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other- Government charges in relation to land acquisitions (refundable)	26	490
	Net investing cash flows	(4,204)	(2,447)
1.13	Total operating and investing cash flows (carried forward)	(6,752)	(11,085)



		Current quarter \$A'000	Year to date (12 mths) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(6,752)	(11,085)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (BEE Loan)	-	(1,283)
	Net financing cash flows	-	(1,283)
	Net increase (decrease) in cash held	(6,752)	(12,368)
1.20	Cash at beginning of quarter/year to date	19,088	25,322
1.21	Exchange rate adjustments to item 1.20	(220)	(838)
1.22	Cash at end of quarter	12,116	12,116

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	278
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Executive salaries and directors fees	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-



Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(7)
4.2	Development	(737)
4.3	Production	-
4.4	Administration	(841)
Total		(1,585)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	32	19
5.2	Deposits at call	12,084	18,730
5.3	Bank overdraft	-	-
5.4	Other (Bank guarantees)	-	340
Total: cash at end of quarter (item 1.22)		12,116	19,089

Changes in interests in mining tenements

		Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A	N/A	N/A
6.2	Interests in mining tenements acquired or increased	N/A	N/A	N/A	N/A

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (\$)	Amount paid up per security (\$)
7.1	+Preference securities (<i>description</i>)	N/A			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A			
7.3	+Ordinary securities	262,895,652	262,895,652	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil			
7.5	+Convertible debt securities (<i>description</i>)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	Options (<i>description and conversion factor</i>)	450,000 1,875,000 1,875,000 250,000 450,000 250,000 350,000 350,000 375,000 375,000 500,000	Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil	<i>Exercise price</i> \$0.25 \$0.50 \$0.50 \$0.50 \$0.60 \$0.70 \$1.00 \$1.50 \$1.55 \$1.85 \$2.05	<i>Expiry date</i> 28/11/2012 31/12/2012 7/7/2013 17/3/2013 28/11/2012 17/3/2013 17/3/2013 17/3/2013 28/5/2013 28/5/2013 28/5/2013
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	Debentures (<i>totals only</i>)	N/A			
7.12	Unsecured notes (<i>totals only</i>)	N/A			



Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:

A handwritten signature in black ink, appearing to read "Stephen James Matthews".

(Company secretary)

Date: 31 July 2012

Print name: STEPHEN JAMES MATTHEWS

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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